GENERAL ASSEMBLY RETIREMENT SYSTEM

A PENSION TRUST FUND OF THE STATE OF ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

GENERAL ASSEMBLY
RETIREMENT SYSTEM,
STATE OF ILLINOIS

2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794 - 9255

Prepared by the
Accounting Division

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INTRODUCTORY SECTION

- Letter of Transmittal
- Administration, Board of Trustees and Administrative Staff
- Certificate of Achievement for Excellence in Financial Reporting

STATE RETIREMENT SYSTEMS

- State Employees' Retirement System of Illinois
- General Assembly Retirement System
- Judges' Retirement System of Illinois

2101 South Veterans Parkway, P.O. Box 19255, Springfield, IL 62794-9255

December 1, 1998

The Board of Trustees and Members
General Assembly Retirement System,
State of Illinois
Springfield, IL 62794

Dear Board of Trustees and Members:

The comprehensive annual financial report of the General Assembly Retirement System, State of Illinois (System) as of and for the fiscal year ended June 30, 1998 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

The report consists of six sections:

1. An Introductory Section which contains this letter of transmittal, the identification of the administrative organization and the Certificate of Achievement for Excellence in Financial Reporting;

2. The Financial Section which contains the report of the Independent Auditors, the financial statements of the System and certain required and other supplementary financial information;

3. The Investment Section which contains a report on investment activity, investment policies, investment results and various investment schedules;

4. The Actuarial Section which contains the Actuary's Certification Letter and the results of the annual actuarial valuation;

5. The Statistical Section which contains significant statistical data; and

6. A summary of the System's plan provisions and current legislative changes.

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Although the General Assembly Retirement System, State Employees' Retirement System and Judges' Retirement System share a common administration, they are separate entities for legal and financial reporting purposes. Therefore, the financial statements of the General Assembly Retirement System do not include plan net asset information nor the changes in plan net assets of the State Employees' Retirement System or Judges' Retirement System.

PLAN HISTORY AND SERVICES PROVIDED

The General Assembly Retirement System (System) was established as a public employee retirement system (PERS) by state statute on July 1, 1947. As of June 30, 1948, the end of the System's first fiscal year of operations, there were a total of 190 participants and the plan net assets valued at cost amounted to approximately $39 thousand. The fair value of plan net assets at the end of fiscal year 1998 amounted to $62.7 million and there were 294 active and inactive participants.

The mission of the System as prescribed by state statute is to "provide retirement annuities, survivors' annuities and other benefits for members of the general assembly, certain elected state officials and their beneficiaries".

Responsibility for operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable state statute.

ADDITIONS TO PLAN NET ASSETS

Collections of employer and participant retirement contributions, as well as income from investments, provide the reserves necessary to finance retirement benefits. These revenue sources totaled $14.118 million during the fiscal year ending June 30, 1998, which is an increase from the amount of revenue reported for fiscal year 1997, shown as follows:

	1998 (Millions)	1997 (Millions)	Increase/(Decrease) (Millions)	(Percentage)
Contributions:				
Participants	$ 1.224	$ 1.286	$ (.062)	(4.7)%
Employer	3.113	2.787	.326	11.7%
Investments	9.781	9.021	.760	8.4%
Total Revenue	$ 14.118	$ 13.094	$ 1.024	7.8%

As indicated in the above schedule, approximately 75% of the total revenue increase was attributable to an increase in investment income which was largely the result of significant net appreciation in the fair value of investments.

DEDUCTIONS FROM PLAN NET ASSETS

The primary expense of a retirement system relates to the purpose for which it is created; namely the payment of benefits. These payments, together with the expense to administer the plan, constitute the total expenses of the System. Expenses of the System for 1998 and 1997 are shown below for comparison purposes.

	1998 (Millions)	1997 (Millions)	Increase/(Decrease) (Millions)	(Percentage)
Benefits:				
Retirement annuities	$ 6.238	$ 5.913	$ .325	5.5%
Survivors' annuities	1.541	1.456	.085	5.8%
Total Benefits Expenses	$ 7.779	$ 7.369	$ .410	5.6%
Refunds	.083	.207	(.124)	(59.9)%
Administrative expenses	.228	.213	.015	7.0%
Total Expenses	$ 8.090	$ 7.789	$ .301	3.9%

The increase in benefit payments resulted primarily from (1) an increase in the average benefit payment amount and (2) post retirement annuity increases granted each year.

INVESTMENTS

The System's investments are managed by the Illinois State Board of Investment (ISBI) pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes, using the "prudent person rule". This rule states that fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position. The ISBI maintains a wide diversification of investments within this fund which serves to reduce overall risk and increase returns.

Income from investments has over the years, increasingly become a greater share of the total revenue to the System. Net investments income, combined with the net appreciation in the fair value of investments, amounted to $9.8 million during fiscal year 1998, an increase of $.8 million from fiscal year 1997. For fiscal year 1998, total net investments revenue represents 69.3% of the System's total fund revenue.

For fiscal year 1998, the total investment return on the market value of assets managed by the ISBI was 18.1%. The ISBI's total investment return over the last three and five years was 17.8% and 14.2%, respectively.

A detailed discussion of investment performance and strategies is provided in the Investment Section of this report. Information regarding investment professionals providing services to the ISBI can be found in the separately issued ISBI annual financial report. To receive a copy of the ISBI annual financial report, please refer to the ISBI's address which is provided in the Investment Section of this report.

FUNDING

Funding is the process of specifically allocating monies for current and future use. Proper funding includes an actuarial review of the fund balances to ensure that funds will be available for current and future benefit payments. The greater the level of funding, the larger the ratio of accumulated assets to the actuarial accrued liability and the greater the level of investment potential.

Senate Bill 533, which was signed into law by Governor Edgar on August 22, 1994 as Public Act 88-0593, enacted a new funding plan for the System. The financing objective of this funding plan requires that state contributions be paid to the System so that by the end of fiscal year 2045, the ratio of accumulated assets to the actuarial accrued liability will be 90%. For fiscal years 2011 through 2045, the required state contributions are to be computed as a level percentage of participant payroll. For those fiscal years up through 2010, the required state contributions are to be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the state is contributing at the required level contribution rate to achieve the financing objective by the end of fiscal year 2045. In addition, the funding legislation also provided for the establishment of a continuing appropriation of the required state contributions to the System. This will, in effect, remove the appropriation of these funds from the annual budgetary process.

The actuarial determined liability of the System using the projected unit credit actuarial cost method at June 30, 1998, amounted to $150.4 million. The actuarial value of assets (at fair value) amounted to $62.7 million as of the same date.

A detailed discussion of funding is provided in the Actuarial Section of this report.

MAJOR INITIATIVES

During fiscal year 1998, the System began parallel processing a newly developed automated benefit calculation system which, in addition to providing automated benefit calculations, also provides for (a) updates to the automated benefit master file, (b) first benefit payment letters which explain to the annuitant or survivor the benefit payment and its tax consequences, and (c) various management reports. It is currently anticipated that this system will be placed into production by the beginning of fiscal year 2000. In addition, the System also mailed an annual benefit statement and two "SOLON" newsletters to each participant, annuitant and survivor.

Projects for fiscal year 1999, include working closely with the State Retirement System's data processing personnel to assure that all of the System's processing programs are "Year 2000" compliant. While the vast majority of the System's processing programs are already "Year 2000" compliant, the participant data base processing programs and data must still be modified to allow for the uninterrupted processing and posting of participant earnings, retirement contributions and retirement service credit to individual participant data base accounts. It is currently anticipated that all such programs will be modified, tested and implemented prior to June 30, 1999. The System will also continue to evaluate the feasibility of enhancing the annual active benefit statement to include a reciprocal system benefit estimate for those participants who have service in another reciprocal system. Additionally, the System will continue to offer pre-retirement, post-retirement and one-on-one counseling seminars at various locations throughout the state

ACCOUNTING SYSTEM AND INTERNAL CONTROL

This report has been prepared to conform with the principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The accrual basis of accounting is used to record the financial transactions and activities of the System. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recognized when the corresponding liabilities are incurred, regardless of when payment is made. The System also uses the State of Illinois, Statewide Accounting Management System (SAMS) as a basis for the preparation of the financial statements. In developing the System's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. Constant effort is directed by the System at improving this level to assure the participants of a financially sound retirement system.

PROFESSIONAL SERVICES

Independent consultants are retained by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the System. Actuarial services are provided by Goldstein & Associates, Chicago, Illinois. Tax consulting services are provided by the accounting firm of KPMG Peat Marwick, LLP, Chicago, Illinois. The annual financial audit of the System was conducted by the accounting firm of McGladrey & Pullen, LLP under the direction of the Auditor General of the State of Illinois. In addition to the annual financial audit, a one year compliance audit was also performed by the auditors. The purpose of the compliance audit was to determine whether the General Assembly Retirement System obligated, expended, received and used public funds of the state in accordance with the purpose for which such funds have been authorized by law. The System's investment function is managed by the Illinois State Board of Investment.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the General Assembly Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 1997. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The General Assembly Retirement System has received a Certificate of Achievement for the last nine consecutive years (fiscal years ended June 30, 1989 through June 30, 1997). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

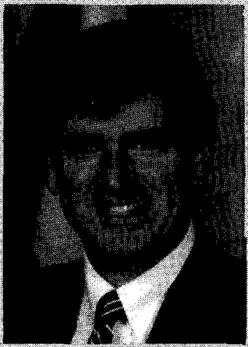
ACKNOWLEDGMENTS

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the participants in the State of Illinois. On behalf of the Board of Trustees we would like to express our appreciation to the staff and professional consultants who worked so effectively to ensure the successful operation of the System.

Respectfully submitted,

Michael L. Mory
Executive Secretary

David M. Richter, CPA
Accounting Division



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Chairman

REPRESENTATIVE
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Retired Annuitant Member

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Laura Kent Donahue

SENATOR
Emil Jones, Jr.

REPRESENTATIVE
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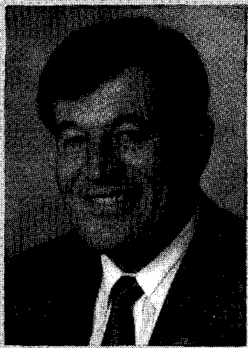

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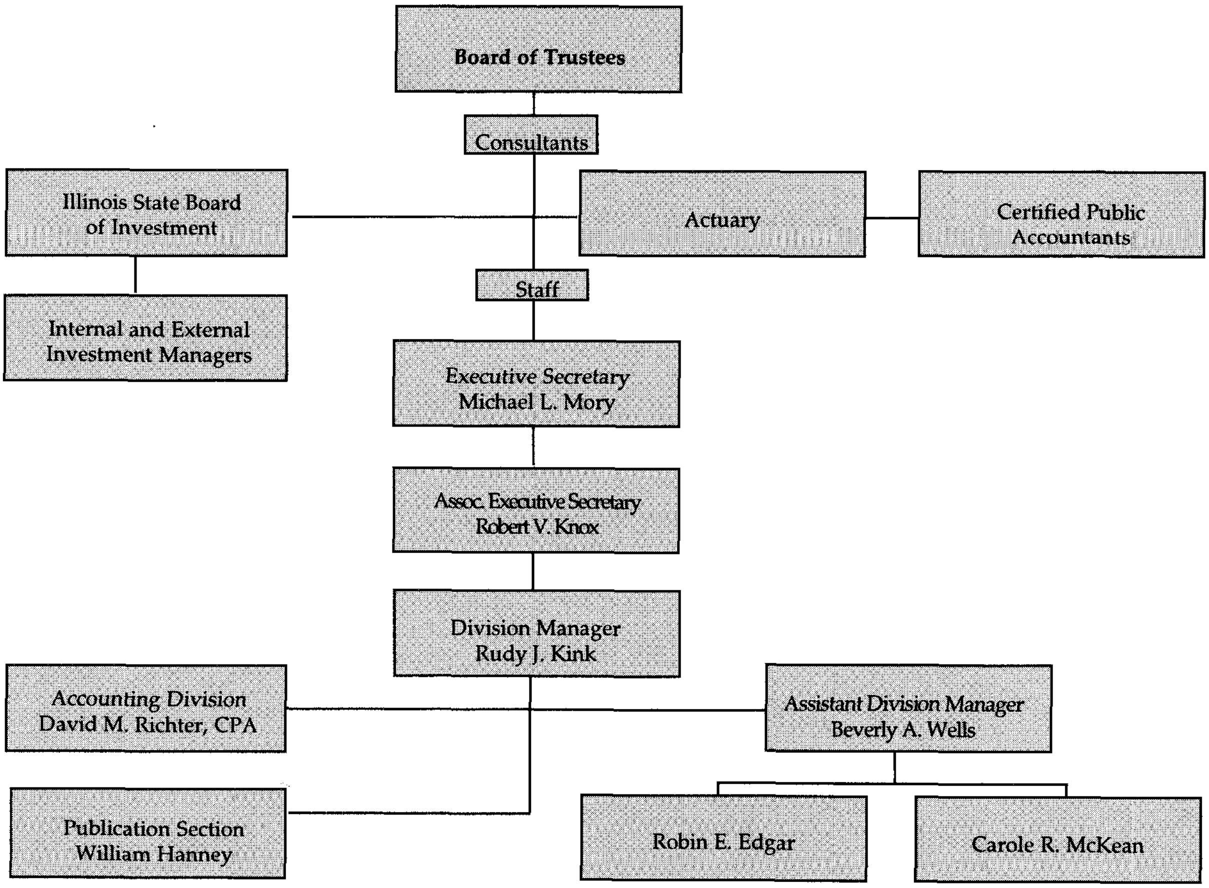

Certificate of Achievement for Excellence in Financial Reporting

Presented to

General Assembly Retirement System State of Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Douglas R Ellsworth
President

Jeffrey L. Esser
Executive Director

FINANCIAL SECTION

- Independent Auditor's Report

- Financial Statements:
  - Statements of Plan Net Assets
  - Statements of Changes in Plan Net Assets
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- Required Supplementary Information:
  - Schedule of Funding Progress
  - Schedule of Employer Contributions
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- Supplementary Financial Information:
  - Summary of Revenues by Source
  - Summary Schedule of Cash Receipts and Disbursements

McGLADREY & PULLEN, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable William G. Holland
Auditor General, State of Illinois
Springfield, Illinois

Board of Trustees
General Assembly Retirement System
Springfield, Illinois

As Special Assistant Auditors for the Auditor General, State of Illinois, we have audited the accompanying statements of plan net assets as of June 30, 1998 and 1997 of the General Assembly Retirement System and the statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Assembly Retirement System as of June 30, 1998 and 1997, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 1998 on our consideration of the General Assembly Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audits were made for the purpose of forming an opinion on the basic financial statements as of and for the years ended June 30, 1998 and 1997, taken as a whole. The schedules of funding progress and employer contributions are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. The summary of revenues by source and summary schedule of cash receipts and disbursements are not a required part of the financial statements but are supplementary financial information presented for additional analysis. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole. The schedules in the investments, actuarial and statistical sections have not been audited and therefore we do not express an opinion on them.

McGladrey & Pullen, LLP

Springfield, Illinois
October 30, 1998

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statements of Plan Net Assets
June 30, 1998 and 1997

	1998	1997
Assets		
Cash	$ 1,643,053	$ 2,113,679
Receivables:		
Participants' Contributions	$ 5,017	$ -
Interest on cash balances	7,824	9,625
	$ 12,841	$ 9,625
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	$ 61,160,683	$ 54,674,448
Equipment, net of accumulated depreciation	6,583	9,028
Total Assets	$ 62,823,160	$ 56,806,780
Liabilities		
Administrative expenses payable	$ 27,662	$ 38,943
Due to Judges' Retirement System of Illinois	50,124	52,258
Participants' deferred service credit accounts	7,784	5,928
Total Liabilities	$ 85,570	$ 97,129
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 24)	$ 62,737,590	$ 56,709,651

See accompanying notes to financial statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statements of Changes in Plan Net Assets
Years ended June 30, 1998 and 1997

	1998	1997
Additions:		
Contributions:		
Participants	$ 1,224,533	$ 1,285,985
Employer	3,113,000	2,787,074
Total Contributions	$ 4,337,533	$ 4,073,059
Investments:		
Net investments income	$ 2,103,208	$ 2,109,052
Net appreciation in fair value of investments	7,677,607	6,912,296
Total Net Investments Income	$ 9,780,815	$ 9,021,348
Total Additions	$ 14,118,348	$ 13,094,407
Deductions:		
Benefits:		
Retirement annuities	$ 6,238,415	$ 5,912,782
Survivors' annuities	1,541,027	1,456,036
Total Benefits	$ 7,779,442	$ 7,368,818
Refunds of contributions	83,392	206,666
Administrative expenses	227,575	213,530
Total Deductions	$ 8,090,409	$ 7,789,014
Net Increase	$ 6,027,939	$ 5,305,393
Net assets held in trust for pension benefits:		
Beginning of year	$ 56,709,651	$ 51,404,258
End of year	$ 62,737,590	$ 56,709,651

See accompanying notes to financial statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Notes to Financial Statements
June 30, 1998 and 1997

(1) Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The General Assembly Retirement System (System) is administered by a Board of Trustees consisting of seven persons, which includes the President of the Senate, ex officio, or his designee, two members of the Senate appointed by the President of the Senate, three members of the House of Representatives appointed by the Speaker of the House of Representatives, and one person elected from the member annuitants.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Pursuant to federal tax law and regulations governing the administration of public employee pension plans, the System has established a separate fund for the sole purpose of paying benefits in accordance with Section 415 of the Internal Revenue Code. The receipts and disbursements from the fund for fiscal year 1998 and 1997 were each less than $60,000. Due to the immaterial nature of the separate fund, these receipts and disbursements have been included in the System's financial statements.

(2) Plan Description

The System is the administrator of a single-employer defined benefit public employee retirement system (PERS) established and administered by the State of Illinois to provide pension benefits for its participants.

At June 30, 1998 and 1997, the System membership consisted of:

	1998	1997
Retirees and beneficiaries currently receiving benefits:		
Retirement annuities	218	223
Survivors' annuities	125	129
Reversionary annuities	3	3
	346	355
Inactive participants entitled to benefits but not yet receiving them	113	113
Total	459	468
Current Participants:		
Vested	126	129
Nonvested	55	52
Total	181	181

Operation of the System and the direction of its policies are the responsibility of the Board of Trustees of the System.

(a) Eligibility and Membership

The General Assembly Retirement System covers members of the General Assembly of the State and persons elected to the offices of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller and Attorney General for the period of service in such offices and the Clerks and Assistant Clerks of the respective Houses of the General Assembly. Participation by eligible persons is optional.

(b) Contributions

In accordance with Chapter 40 Section 5/2-126 of the Illinois Compiled Statutes, participants contribute specified percentages of their salaries for retirement annuities, survivors' annuities and automatic annual increases. Contributions are excluded from gross income for Federal and State income tax purposes.

The total contribution rate is 11.5% as shown below:

8.5%	Retirement annuity
2.0%	Survivors' annuity
1.0%	Automatic annual increases
11.5%	

The statutes governing the General Assembly Retirement System provide for optional contributions by participants, with interest at prescribed rates, to retroactively establish service credits for periods of prior creditable service. The Board of Trustees has adopted the policy that interest payments by a participant, included in optional contributions to retroactively establish service credits, shall be considered an integral part of the participant's investment in annuity expectancies and, as such, shall be included as a part of any refund payable.

The payment of (1) the required State contributions, (2) all benefits granted under the System and (3) all expenses in connection with the administration and operation thereof are the obligations of the State to the extent specified in Chapter 40, Article 5/2 of the Illinois Compiled Statutes.

(c) Benefits

After eight years of credited service, participants have vested rights to retirement benefits beginning at age 55, or after four years of service with retirement benefits beginning at age 62. The General Assembly Retirement System also provides annual automatic annuity increases for retirees and survivors, survivors' annuity benefits, reversionary annuity benefits, and under specified conditions, lump sum death benefits. Participants who terminate service may receive, upon application, a refund of their total contributions.

The retirement annuity is determined according to the following formula based upon the participants' final rate of salary.

3.0% for each of the first 4 years of service, plus
3.5% for each of the next 2 years of service, plus
4.0% for each of the next 2 years of service, plus
4.5% for each of the next 4 years of service, plus
5.0% for each year of service in excess of 12 years

The maximum retirement annuity payable is 85% of the final rate of salary.

(3) Summary of Significant Accounting Policies and Plan Asset Matters

(a) Basis of Accounting

The financial transactions of the System are maintained and these financial statements have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles. Participant and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the plan. The System has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB Pronouncements.

(b) Cash and Investments

The System retains all of its available cash in a commingled investment pool managed by the Treasurer of the State of Illinois (Treasurer). All deposits are fully collateralized by the Treasurer. "Available cash" is determined to be that amount which is required for the current operating expenditures of the System. The excess of available cash is transferred to the Illinois State Board of Investment (ISBI) for purposes of long-term investment for the System.

The System transfers money to the ISBI for investment in the ISBI Commingled Fund. This money is then allocated among various investment managers to pursue a specific investment strategy. All investment transactions are initiated by the investment managers (either internal or external). The transaction settlement information is then forwarded to the agent bank's trust department under a master custodial agreement. Custody of a majority of the actual physical securities is maintained at an agent of the agent bank's trust department using a book-entry system. The ISBI's master custodian is The Northern Trust Company. The agent of the master custodian is the Depository Trust Company.

Investments are managed by the ISBI pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes (ILCS) and are maintained in the ISBI Commingled Fund. The ISBI reports securities at fair value. Where appropriate, the fair value includes estimated disposition costs. Fair value for stocks is determined by using the closing price listed on the national securities exchanges as of June 30. Market value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. For commingled equity funds the net asset value is determined and certified by the commingled equity fund manager as of June 30. Fair value for directly owned real estate investments is determined by appraisals. Units of the ISBI Commingled Fund are issued to the member systems on the last day of the month based on the unit net asset value calculated as of that date. Net investment income of the ISBI Commingled Fund is allocated to each of the member systems on the last day of the month on the basis of percentage of accumulated units owned by the respective systems. Management expenses are deducted monthly from income before distribution.

The investment authority of the ISBI is provided in Chapter 40, Section 5/22A-112 of the ILCS. The ISBI investment authority includes investments in obligations of the U.S. Treasury and other agencies, notes secured by mortgages which are insured by the Federal Housing Commission, real estate, common and preferred stocks, convertible debt securities, deposits or certificates of deposit of federally insured institutions and options. Such investment authority requires that all opportunities be undertaken with care, skill, prudence and diligence given prevailing circumstances that a prudent person acting in like capacity and experience would undertake. The ISBI does not have any one investment which represents 5 percent or more of the ISBI's net assets.

The ISBI participates in a securities lending program at its custodian bank, whereby securities are loaned to brokers and, in return, the ISBI has rights to a portion of a collateral pool. All of the ISBI's securities are eligible for the securities lending program. Collateral consists solely of cash, letters of credit, commercial paper and government securities having a market value equal to or greater than the securities loaned. There are no provisions for ISBI indemnification on the securities lending transactions. As of June 30, 1998 and 1997 the ISBI had outstanding loaned investment securities having market values of $1,104,715,301 and $1,159,430,394 respectively; against which it had received collateral with values of $1,140,181,704 and $1,191,334,581, respectively.

The ISBI's global and international managers invest in derivative securities. During the year, the ISBI's derivative investments included forward foreign currency contracts, futures, and options. Forward foreign currency contracts are used to hedge against the currency risk in the ISBI's foreign stock and fixed income portfolios. The remaining derivative securities are used to improve yields, or to hedge changes in interest rates.

The ISBI also invests in mortgage-backed securities to maximize yields and to hedge against a rise in interest rates. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

For additional information regarding the ISBI's investments, please refer to the Annual Report of the ISBI as of June 30, 1998. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

The System owns approximately 1.0% of the net investment assets of the ISBI Commingled Fund as of June 30, 1998.

ISBI investments, as categorized by ISBI, are categorized to indicate the level of risk assumed by the ISBI at year end. Category I includes investments that are insured or registered or the securities are held by the master custodian in the ISBI's name. Category II includes uninsured and unregistered investments with the securities held by the counterparty's agent in the ISBI's name. Category III includes uninsured and unregistered investments with the securities held by the counterparty but not in the ISBI's name. Investments in pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

At June 30, 1998, the ISBI's investments were categorized as follows:

	Market Value	Category I	Non Categorized
U.S. Government & Agency Obligations	$ 1,299,851,793	$ 1,299,851,793	$
Foreign Obligations	52,336,197	52,336,197	
Corporate Obligations	595,698,778	595,698,778	
Convertible Bonds	13,984,049	13,984,049	
Common Stock & Equity Funds	3,022,271,513	1,819,007,244	1,203,264,269
Convertible Preferred Stock	33,701,030	33,701,030	
Preferred Stock	9,796,742	9,796,742	
Foreign Equity Securities	1,083,783,967	958,185,781	125,598,186
Real Estate Funds	250,823,177	70,888,479	179,934,698
Alternative Investments	361,780,824		361,780,824
Money Market Instruments	678,360,145		678,360,145
Forward Foreign Exchange Contracts	(306,533)	(306,533)	
Options	8,760	8,760	
Total Investments	$ 7,402,090,442	$ 4,853,152,320	$ 2,548,938,122

(c) Actuarial Experience Review

In accordance with Illinois Compiled Statutes, an actuarial experience review is to be performed at least once every five years to determine the adequacy of actuarial assumptions regarding the mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the System. An experience review was last performed as of June 30, 1997.

(d) Administrative Expenses

Expenses related to the administration of the System are financed through investment earnings and employer retirement contributions. These expenses are budgeted and approved by the System's Board of Trustees. Administrative expenses common to the General Assembly Retirement System and the Judges' Retirement System are borne 40% by the General Assembly Retirement System and 60% by the Judges' Retirement System. Invoices/vouchers covering common expenses incurred are paid by the Judges' Retirement System, and 40% thereof is allocated to and reimbursed by the General Assembly Retirement System. Administrative expenses allocated to and reimbursed by the General Assembly Retirement System as of June 30, 1998 and 1997, were $181,821 and $181,689, respectively.

(e) Risk Management

The System, as part of the primary government of the State, provides for risks of loss associated with workers' compensation and general liability through the State's self-insurance program. The System obtains commercial insurance for fidelity, surety, and property. There have been no commercial insurance claims in the past three fiscal years.

(4) Funding - Statutory Contributions Required and Contributions Made

For each fiscal year, the System's actuary performs an actuarial valuation and computes actuarially determined contribution requirements for the System, using the projected unit credit actuarial cost method.

For fiscal years 1998 and 1997, the required employer contributions were computed in accordance with Public Act 88-0593. This funding legislation, which became effective July 1,1995, provides for a systematic 50 year funding plan with an ultimate goal to fund the cost of maintaining and administering the System at an actuarial funded ratio of 90%. In addition, the funding plan provides for a 15 year phase-in period to allow the state to adapt to the increased financial commitment. Once the 15 year phase-in period is complete, the state's contribution will then remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved.

The total amount of statutorily required employer contributions for fiscal years 1998 and 1997 were $3,113,000 and $2,738,000, respectively. The total amount of employer contributions received from the state during fiscal years 1998 and 1997 were $3,113,000 and $2,738,000, respectively.

(5) Administrative Expenses

A summary of the administrative expenses for the General Assembly Retirement System for fiscal years 1998 and 1997 is as follows:

	1998	1997
Personal services	$ 125,042	$ 120,475
Employee retirement contributions paid by employer	5,012	4,803
Employer retirement contributions	8,144	5,991
Social Security contributions	8,620	8,298
Group insurance	10,873	9,382
Contractual services	55,593	43,402
Travel	1,185	1,954
Printing	3,061	3,301
Commodities	421	282
Telecommunications	1,500	1,603
Electronic data processing	6,024	6,298
Depreciation	2,685	2,310
Other	(585)	5,431
Total	$ 227,575	$ 213,530

(6) Equipment

Fixed assets are capitalized at their cost at the time of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives are as follows: (1) office furniture - 10 years, (2) equipment - 6 years, and (3) certain electronic data processing equipment - 3 years.

A summary of the changes in fixed assets for fiscal years 1998 and 1997 is as follows:

1998	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 34,415	$ 240	$ (1,126)	$ 33,529
Accumulated Depreciation	(25,387)	(2,685)	1,126	(26,946)
Equipment, net	$ 9,028	$ (2,445)	$ -	$ 6,583

1997	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 28,205	$ 6,210	$ -	$ 34,415
Accumulated Depreciation	(23,077)	(2,310)	-	(25,387)
Equipment, net	$ 5,128	$ 3,900	$ -	$ 9,028

(7) Accrued Compensated Absences

Employees of the General Assembly Retirement System are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned after December 31, 1983 and prior to January 1, 1998 upon termination of employment. These accrued compensated absences as of June 30, 1998 and 1997 total $24,648 and $25,227 respectively and are included as administrative expenses payable.

(8) Analysis of Changes in Reserve Balances

The funded statutory reserves of the General Assembly Retirement System are composed of two components as follows:

(a) Reserve for Participants' Contributions -
This reserve consists of participants' accumulated contributions for retirement annuities, survivors' annuities and automatic annual increases.

(b) Reserve for Future Operations -
This reserve is the balance remaining in the General Assembly Retirement System from State of Illinois contributions and revenue from investments after consideration of charges for payouts by the General Assembly Retirement System.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS
Statements of Changes in Reserve Balances
Years ended June 30, 1998 and 1997

	Participants' Contributions	Future Operations	Total Reserve Balances
Balance at June 30, 1996	$ 11,732,410	$ 39,671,848	$ 51,404,258
Add (deduct):			
Excess (deficiency) of revenues over expenses	1,128,392	4,177,001	5,305,393
Reserve transfers:			
Accumulated contributions of participants who retired or died with an eligible survivor during the year	(949,017)	949,017	-
Balance at June 30, 1997	$ 11,911,785	$ 44,797,866	$ 56,709,651
Add (deduct):			
Excess (deficiency) of revenues over expenses	1,141,140	4,886,799	6,027,939
Reserve transfers:			
Accumulated contributions of participants who retired or died with an eligible survivor during the year	(141,181)	141,181	-
Balance at June 30, 1998	$ 12,911,744	$ 49,825,846	$ 62,737,590

(9) Pension Plan

Plan Description. All of the System's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System ("SERS"), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system ("PERS") in which state employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal years 1998 and 1997 are included in the State of Illinois' Comprehensive Annual Financial Report ("CAFR") for the years ended June 30, 1998 and 1997, respectively. The SERS also issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling (217)785-7202. The State of Illinois CAFR may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams St., Springfield, Illinois, 62704-1858 or by calling (217)782-2053.

A summary of SERS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute, and the authority under which those obligations are established.

Funding Policy. The System pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal years 1998 and 1997 the employer contribution rates were 6.500% and 4.963%, respectively. Effective for pay periods beginning after December 31, 1991, the state opted to pay the employee portion of retirement for most state agencies with employees covered by the State Employees' and Teachers' Retirement Systems. Generally, this "pickup" of employee retirement was part of the fiscal year 1992 budget process and was, in part, a substitute for salary increases. The pickup is subject to sufficient annual appropriations and those employees covered may vary across employee groups and state agencies. Currently, state officers, judges, general assembly members, and state university employees are not eligible for the employee pickup.

Other Postemployment Benefits. In addition to providing pension benefits, the State Employees Group Insurance Act of 1971, as amended, requires that certain health, dental and life insurance benefits shall be provided by the state to annuitants who are former state employees. This includes annuitants of the System. Substantially all state employees including the System's employees may become eligible for post-employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the state's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to five thousand dollars per annuitant age 60 and older.

Costs incurred for health, dental and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the year ended June 30, 1998 and June 30, 1997. However, post-employment costs for the state as a whole for all state agencies/departments for dependent health, dental and life insurance for annuitants and their dependents are disclosed in the State of Illinois Comprehensive Annual Financial Report. Cost information for retirees by individual state agency is not available. Payments are made on a "pay-as-you-go" basis. The System is not the administrator of any of the other post-employment benefits described above.

Schedule of Funding Progress (1)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/97	$56,709,651	$143,836,605	$87,126,954	39.4%	$ 9,362,000	930.6%
6/30/98	62,737,590	150,408,448	87,670,858	41.7%	10,005,000	876.3%

Schedule of Employer Contributions (1)

Year Ended June 30	Annual Required Contribution per GASB Statement #25 (2)	Percentage Contributed	Annual Required Contribution per State Statute	Percentage Contributed
1997	$4,939,052	55.4%	$2,738,000	100%
1998	5,318,505	58.5%	3,113,000	100%

(1) The required Schedules of Funding Progress and Employer Contributions are to include information for the current year and as many of the prior years as information according to the parameters stipulated in GASB Statement No. 25 is available. The schedules should not include information that does not meet the parameters. The System has only two years of information which does meet the requirements of the parameters, therefore, that is all the information which is presented.

(2) Governmental Accounting Standards Board Statement No. 25 entitled "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," issued November 1994.

Notes to Required Supplementary Information

Valuation date .... June 30, 1998

Actuarial cost method .... Projected Unit Credit

Amortization method:
- a) For GASB Statement No. 25 reporting purposes .... Level percent of payroll
- b) Per state statute .... 15-year phase-in to a level percent of payroll until a 90% funding level is achieved

Remaining amortization period:
- a) For GASB Statement No. 25 reporting purposes ... 40 years, open
- b) Per state statute .... 47 years, closed

Asset valuation method .... Fair Value

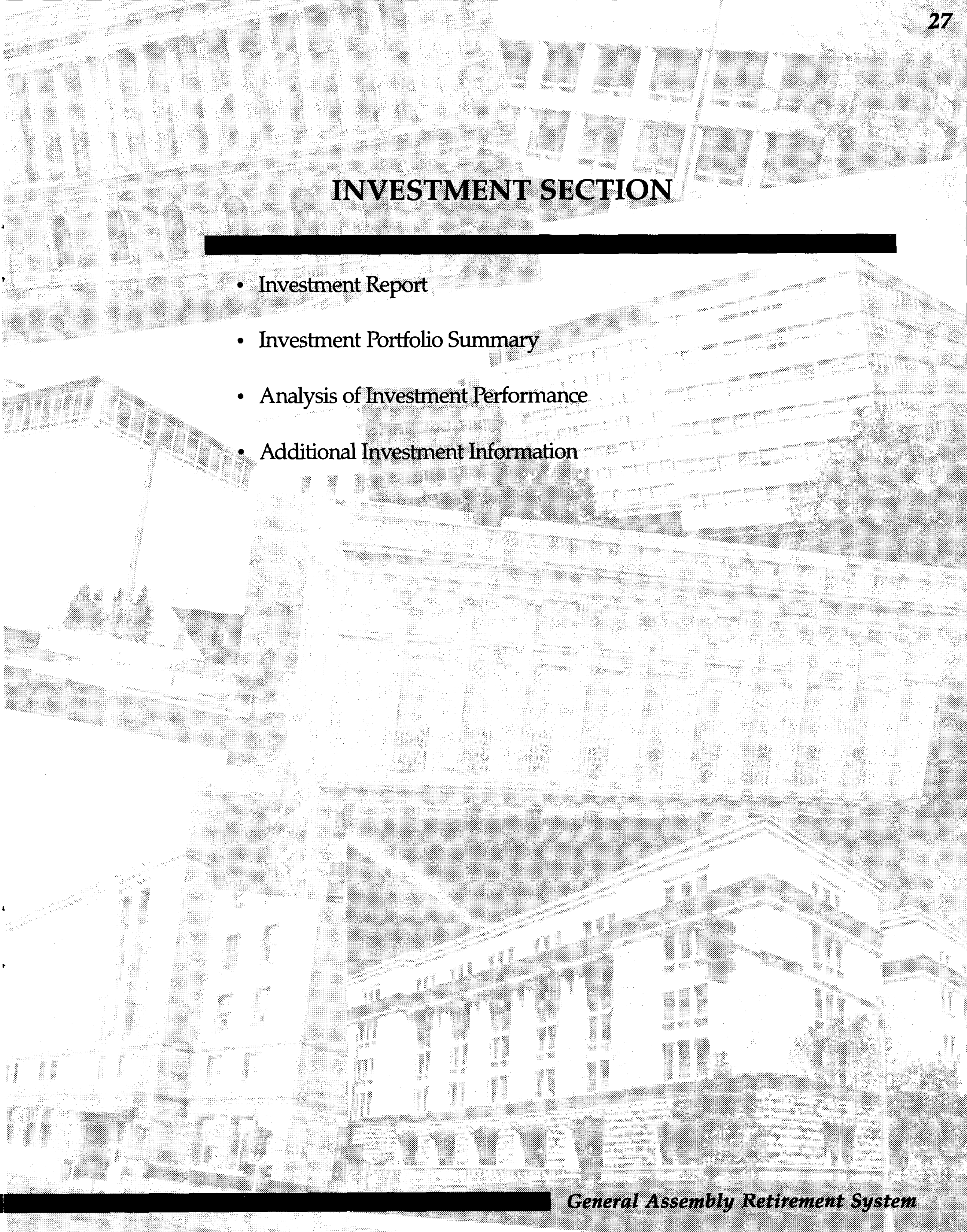
Actuarial assumptions:
- Investment rate of return .... 8.0 percent per year, compounded annually
- Projected salary increases .... 6.5 percent per year, compounded annually
- Assumed inflation rate 4.0%
- Group size growth rate .... 0.0 percent
- Post-retirement increase .... 3.0 percent - compounded

SUMMARY OF REVENUES BY SOURCE
Years Ended June 30, 1998 and 1997

	1998	1997
Contributions:		
Participants	$ 1,214,825	$ 1,193,159
Interest paid by participants	5,234	60,352
Repayment of refunds	4,474	-
Transferred from reciprocating systems	-	32,474
Total participants contributions	$ 1,224,533	$ 1,285,985
General Revenue Fund	$ 2,852,300	$ 2,520,100
State Pension Fund	260,700	217,900
Paid by participants	-	49,074
Total employer contributions	$ 3,113,000	$ 2,787,074
Total contributions revenue	$ 4,337,533	$ 4,073,059
Investments:		
Net investments income	$ 2,103,208	$ 2,109,052
Net appreciation in fair value of investments	7,677,607	6,912,296
Total net investments revenue	$ 9,780,815	$ 9,021,348
Total Revenue	$ 14,118,348	$ 13,094,407

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Years Ended June 30, 1998 and 1997

	1998	1997
Cash balance, beginning of year	$ 2,113,679	$ 1,836,256
Receipts:		
Participant contributions	$ 1,213,416	$ 1,268,421
Employer contributions:		
General Revenue Fund	2,852,300	2,520,100
State Pension Fund	260,700	217,900
Paid by participants	-	49,074
Interest income on cash balances	96,381	88,461
After tax installment payments	1,856	9,269
Tax deferred installment payments	6,186	-
Cancellation of annuities	19,050	1,780
Transfers from Illinois State Board of Investment	3,200,000	3,900,000
Miscellaneous	6	-
Total cash receipts	$ 7,649,895	$ 8,055,005
Disbursements:		
Benefit payments:		
Retirement annuities	$ 6,238,817	$ 5,906,078
Survivors' annuities	1,548,240	1,457,147
Refunds	94,913	206,803
Administrative expenses	238,551	207,554
Total cash disbursements	$ 8,120,521	$ 7,777,582
Cash balance, end of year	$ 1,643,053	$ 2,113,679



INVESTMENT SECTION

- Investment Report
- Investment Portfolio Summary
- Analysis of Investment Performance
- Additional Investment Information

INVESTMENT REPORT

By state law the System's investment function is managed by the Illinois State Board of Investment (ISBI). The ISBI was created in 1969 to provide a means of centralizing the investment management function for public employee pension funds and retirement systems operating in the state. In addition to the assets of the General Assembly Retirement System, the ISBI also manages the investment function for the State Employees' and Judges' Retirement Systems. All ISBI investments are accounted for in a commingled fund (ISBI Fund). As of June 30, 1998, total net assets under management valued at market, amounted to $7.380 billion. Of the total market value of assets under management, $61.2 million or 1% represented assets of the General Assembly Retirement System.

Management Approach

The ISBI manages its investments in accordance with the "prudent person rule" as adopted by the Illinois General Assembly in 1982. The ISBI has established a long-range investment policy which, in line with the prudent person rule, affirms that the ISBI Fund's objective is to provide the greatest possible long-term benefits through maximization of the total return of the ISBI Fund, within prudent risk parameters. Further, it is the ISBI's philosophy that the assets owned by the participating systems and managed by the ISBI are held for the exclusive purpose of providing benefits to the participants and annuitants of the respective retirement systems and their beneficiaries. In line with this philosophy, the ISBI from time to time evaluates its asset allocation which is considered by many to be the single most important factor in pension investment management. The three major asset classes are: bonds, equities and cash; with smaller positions being allocated to real estate, venture capital and other alternative investments.

The investment policy of the ISBI establishes asset allocation targets and ranges for each asset class, selected to achieve overall risk and return objectives. The policy is monitored by ISBI and implemented by allocations to investment managers with assignments to invest in specific asset classes, and with specific selection styles and methodologies.

Investment Results

Even as global economic concerns were mounting, U.S. capital markets posted impressive gains for the period ended June 30, 1998. U.S. stocks and bonds both achieved double digit returns for the period. A good environment for initial public offerings (IPO's) also led to strong returns for many private equity partnerships. The real estate market continued its strong recovery, and posted a double digit return for the fiscal year. The only asset class that was negatively affected by the global events was international equities, in particular emerging markets and Japan. Even for this asset class, with European markets included, the return for the fiscal year was positive.

ISBI total fund earned a rate of return for fiscal 1998, net of expenses of 18.1% This was well ahead of its long-term objectives of earning 4.5% above the inflation rate and of exceeding the 8.0% assumed actuarial interest rate. The return was slightly below the policy-weighted benchmark return of 18.6% Over longer time periods, ISBI is ahead of all of its investment objectives. The average annual returns for the three- and five -year periods ended June 30, 1998, were 17.8% and 14.2%, respectively. Over the 16-year period since the adoption of the prudent man legislation, ISBI total portfolio has produced a compounded annual rate of return, net of expenses and charges, of 13.4%, and its net assets have increased by $6.3 billion.

U.S. Equities

For the twelve months ended June 30, 1998, U.S. equity markets continued their upward climb. The S&P 500 Index increased 30.2%, and the BARRA All-U.S. Index, a broader representation of the U.S. market, rose 29.5%. Fiscal 1998 is the fourth fiscal year in which U.S. equity markets, driven largely by large capitalization companies, have posted returns in excess of 25%. Small capitalization stocks, following the pattern set in the three previous fiscal years, grew at a significantly smaller rate, however, as indicated by the Russell 2000 Index return of 16.5%. Within that context, ISBI's U.S. equity portfolio earned a return of 27.6%.

The ISBI's U.S. stock portfolio performance versus the S&P 500 Index is as follows:

	1 Year	3 Years	5 Years
ISBI	27.6%	26.6%	21.1%
S&P 500	30.2	30.2	23.1

Global/International Equities

Foreign stock markets' results were mixed for the fiscal year, overall lagging the U.S. market. European country returns were generally strong, while Japanese and emerging markets posted negative returns. A strengthening dollar further dampened foreign stock returns for U.S. investors. The Morgan Stanley Europe Australia Far East Index ("MSCI EAFE") earned 6.4% in U.S. dollar terms for the fiscal year ended June 30. The Morgan Stanley World Index ("MSCI World"), which includes the U.S. market, increased 17.5% in dollar terms for the same period.

All foreign security accounts are managed by external investment firms. "Global" managers have the discretion to invest in both U.S. as well as foreign securities, while "international" managers are limited to non-U.S. securities; thereby assuring a certain level of diversification. For the fiscal year ISBI's global managers lagged the MSCI World Index, earning 12.1%. ISBI's international portfolio also fell short of its benchmark, increasing 1.7%.

Comparative average annual rates of return for the Global/International equities portfolio versus the market index benchmarks is shown below:

	1 Year	3 Years	5 Years
Global Equities			
ISBI	12.1%	17.2%	14.6%
MSCI World Index	17.5	19.7	16.2
International Equities			
ISBI	1.7%	12.5%	12.1%
MSCI EAFE Index	6.4	11.0	10.3

Fixed Income

During fiscal 1998, U.S. fixed income markets showed strength, with interest rates heading lower. The Lehman Aggregate Bond Index earned 10.5% for the 12-month period, while high yield bonds, as represented by the Merrill Lynch High Yield Index, did better with a return of 11.4%

Substantially all fixed income assets are managed internally, except approximately $100 million allocated to an external high yield bond manager. The internal account outperformed the Lehman Aggregate Bond index, with a return of 10.9%. Higher returns from the external high yield manager resulted in a total fixed income return of 11.1%.

Comparative average annual rates of return for the total fixed income portfolio versus the market index benchmark is shown below:

	1 Year	3 Years	5 Years
ISBI	11.1%	9.0%	8.1%
Shearson Lehman Aggregate	10.5	7.9	6.9

Real Estate

All of ISBI's investments in real estate are passive and are represented by interests in limited partnerships, trusts, and other forms of pooled investments.

Real estate values strengthened during fiscal 1998, and ISBI's real estate investments earned a strong 26.0% rate of return, compared to the NCREIF Real Estate Index return of 16.4%. A significant portion of this return reflected the initial public offering of Equity Office Properties, previously privately held Zell/Merrill Lynch opportunity funds in which ISBI had a significant investment. During fiscal 1998, in order to reach the 5% target allocation for real estate, the Board also made commitments totaling $195 million to six new real estate limited partnerships. The new partnerships are ABKB/LaSalle Securities Ltd, Apollo Real Estate Investment Fund III, LF Strategic Realty Investors II, Miller Global Properties II, Olympus Real Estate Fund II, and RREEF Venture Capital Fund.

Average annual rates of return for the combined real estate portfolio compared to the market benchmark for unleveraged institution grade property returns is shown below:

	1 Year	3 Years	5 Years
ISBI	26.0%	14.5%	6.4%
NCREIF	16.4	12.2	9.0

Alternative Investments

The alternative investments portfolio consists of passive interests in limited partnerships and other commingled vehicles that invest in venture capital, management buyouts and other private placement activities. ISBI's largest investments are in the Kohlberg Kravis Roberts (KKR) leveraged buyout limited partnerships, which account for almost 70% of this category. Fiscal 1998 was a good year for alternative investments. A strong initial public offering (IPO) market allowed a number of portfolio companies to gain access to the auction markets, thereby producing liquidity and/or actual cash returns to ISBI. Overall, ISBI's Alternative Investments portfolio earned 35.8% for the fiscal year.

The Board made commitments totaling $45 million to two new limited partnerships in fiscal 1998. Although the current allocation to this asset class is not significantly below the long-term target, in order to maintain the level of investment, new commitments are necessary over time to balance anticipated distributions from maturing partnerships. The new partnerships are GTCR Fund VI and Summit Venture V. Funds for these future commitments will come from cash flow generated from existing alternative investments.

Management Expenses

Total operating expenses for the fiscal year were $15,091,365, compared to $14,245,218 for the previous fiscal year. The 6% expense increase compares to a growth in investment assets of nearly 18%. Asset-based fees to external managers represent the primary component of operating expenses. Actual expenses will increase as assets increase, but at a lower rate due to volume discounts. In addition, ISBI expanded its use of index funds, which have lower fees than traditional investment management. The resulting expense ratio (expenses divided by average net assets under management) was .22% in fiscal 1998, lower than the .25% expense ratio achieved in fiscal 1997.

Additional Information

For additional information regarding the System's investment function, please refer to the Annual Report of the Illinois State Board of Investment, June 30, 1998. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

INVESTMENT PORTFOLIO SUMMARY

	June 30, 1998		June 30, 1997	
	Market Value	Percentage	Market Value	Percentage
Fixed Income[1]	$ 1,961,870,817	26.6%	$ 1,832,294,575	29.0%
Equities	3,065,769,285	41.5	2,470,905,061	39.0
Foreign Equities	1,083,783,967	14.7	1,019,434,063	16.1
Real Estate	250,823,177	3.4	252,606,430	4.0
Non-Marketable[2]	361,780,824	4.9	306,053,788	4.8
Forward Foreign Exchange Contracts	(306,533)	-	1,008,282	-
Options	8,760	-	4,465,309	.1
Cash equivalents[3]	656,179,130	8.9	441,369,634	7.0
	$ 7,379,909,427	100.0%	$ 6,328,137,142	100.0%

[1]Maturities of one year or longer, including convertible bonds.
[2]Interests in limited partnerships and other entities which have limited liquidity.
[3]Cash Equivalents includes other assets, less liabilities.

ANALYSIS OF INVESTMENT PERFORMANCE

	1998	1997	1996	1995	1994
Total Return* - Past 3 years		17.8%			
Total Return* - Past 5 years			14.2%		
Total Return* - year by year	18.1%	18.8%	16.6%	14.0%	4.0%
Actuarial Assumed Rate of Return			8.0%		
Average Net Income Yield*	3.4%	3.9%	4.0%	4.7%	4.5%
	Comparative rates of return on fixed income securities				
Total fixed income - ISBI	11.1%	9.5%	6.6%	11.9%	1.6%
Comparison index:					
Shearson Lehman Aggregate	10.5%	8.2%	5.0%	12.6%	(1.3%)
	Comparative rates of return on equities				
Domestic equities - ISBI	27.6%	26.3%	25.9%	21.5%	5.5%
Comparison index:					
S&P 500	30.2%	34.6%	26.1%	26.1%	1.3%

*Total return is the combined effect of income earned and market appreciation (depreciation). Average net income yield is the income earned for the year divided by the average market value of assets employed.

ADDITIONAL INVESTMENT INFORMATION

The following table shows a comparison of ISBI investment operations for fiscal years 1998 and 1997:

	1998	1997	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Balance at beginning of year, at fair value	$ 54,674,448	$ 49,643,586	$ 5,030,862	10.1%
Cash transferred from ISBI (net)	(3,200,000)	(3,900,000)	(700,000)	(17.9)%
Net ISBI investments revenue:				
ISBI Commingled Fund income	$ 2,136,007	$ 2,144,936	$ (8,929)	(.4)%
Less ISBI Expenses	(127,379)	(126,370)	1,009	.8%
Net ISBI investments income	$ 2,008,628	$ 2,018,566	$ (9,938)	(.5)%
Net appreciation in fair value of ISBI investments	7,677,607	6,912,296	765,311	11.1%
Net ISBI investments revenue	$ 9,686,235	$ 8,930,862	$ 755,373	8.5%
Balance at end of year, at fair value	$ 61,160,683	$ 54,674,448	$ 6,486,235	11.9%

In addition, interest on the average balance in the System's cash account in the State Treasury for FY 1998 was $94,580 compared to $90,486 during FY 1997 primarily due to higher average balances during FY 1998.

ACTUARIAL SECTION

GOLDSTEIN & ASSOCIATES
Consulting Actuaries

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CHICAGO, ILLINOIS 60606
PHONE (312) 726-5877 FAX (312) 726-4323

October 7, 1998

Board of Trustees and Executive Secretary
General Assembly Retirement System, State of Illinois
2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794

ACTUARIAL CERTIFICATION

We have completed the annual actuarial valuation of the General Assembly Retirement System of Illinois as of June 30, 1998. The purpose of the valuation was to determine the financial condition and funding requirements of the retirement system.

Since the date of the last actuarial valuation, there have only been some minor changes in the benefit provisions of the system. These changes did not have an impact on the results of the June 30, 1998 actuarial valuation.

Pursuant to the law governing the system, the actuary shall investigate the experience of the system at least once every five years and recommend, as a result of such investigation, the actuarial assumptions to be adopted. As the actuary, we have completed such an experience analysis for the five-year period 1991-1996. Based on this experience analysis, we recommended actuarial assumptions which were adopted by the system's board effective June 30, 1997 and which were used for the current valuation. We believe that, in the aggregate, the current actuarial assumptions relate reasonably to the past and anticipated experience of the system.

Public Act 88-0593, signed into law on August 22, 1994, established the current funding plan for the system. The financing objective under this plan is to have the required State contributions sufficient to bring the total assets of the system up to 90% of the total actuarial liabilities by the end of fiscal year 2045. For fiscal years 2011 through 2045, the required State contributions are to be a level percentage of payroll. For fiscal years 1996 through 2010, the State contribution shall be increased as a percentage of the applicable payroll in equal annual increments so that by fiscal year 2011, the State is contributing at the required rate.

GOLDSTEIN & ASSOCIATES
Consulting Actuaries

Based on the June 30, 1998 actuarial valuation, we have determined the required State contribution under this funding plan for fiscal year 2000. We have also estimated the required State contributions for future years.

The asset values used for the valuation were based on the audited asset information reported by the system. For purposes of the current valuation, the market value of the assets of the system, less the amount of liabilities, was used.

The actuarial liabilities have been valued on the basis of membership data which is supplied by the administrative staff of the system and verified by the system's auditors. We have made additional tests to ensure its accuracy.

In our opinion, the information presented herein fairly presents the financial condition of the General Assembly Retirement System as of June 30, 1998. We prepared the accompanying Actuarial Cost Method and Summary of Major Actuarial Assumptions. The staff of the retirement system prepared the other supporting schedules in this section and the trend tables in the financial section, based on information contained in our actuarial reports.

Respectfully submitted,

Sandor Goldstein
Fellow of the Society of Actuaries
Enrolled Actuary No. 96-3402

Carl J. Smedinghoff
Associate of the Society of Actuaries

INTRODUCTION

Annually, the System's actuarial consultants perform a valuation of the liabilities and reserves of the System in order to make a determination of the amount of contributions required from the state. These results are then certified to the Board.

The Board, in turn, has the duty of certifying an employer contribution amount required to be paid to the System by the state during the succeeding fiscal year. The employers' contribution amount, together with participants' contributions, income from investments and any other income received by the System, shall be sufficient to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial reserve requirements, pursuant to Chapter 40, Section 5/2-146 of the Illinois Compiled Statutes.

In August, 1994, Governor Edgar signed Senate Bill 533 into law as Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides that:

> For fiscal years 2011 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of fiscal year 2045. In making these determinations, the required contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.
>
> For fiscal years 1998 through 2010, the contribution to the System, as a percentage of the payroll, shall be increased in equal annual increments so that by fiscal year 2010 the contribution rate is at the same level as the contribution rate for fiscal years 2011 through 2045.
>
> Beginning in fiscal year 2045, the minimum contribution to the System for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.

The amortization period required by the state's funding plan, as described above, does not meet the parameters of GASB Statement No. 25.

Most importantly, the funding legislation also provides for the establishment of a continuing appropriation of the required employer contributions to the System. This will, in effect, remove the appropriation of these funds from the annual budgetary process.

Although long-term in nature, we believe that this legislation has been an extremely positive step forward which will ensure the long-term financial integrity of the state's retirement systems including the General Assembly Retirement System.

For fiscal years 1998 and 1997, the System received the actuarially determined employer contributions in accordance with the state's funding plan described above.

ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

The System utilizes the projected unit credit actuarial cost method. Under this method, the actuarial liability is the actuarial present value or that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The normal cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement. Actuarial gains and losses are recognized immediately in the unfunded actuarial liability of the System. However, for purposes of determining future employer contributions, the actuarial gains and losses are amortized in accordance with the funding plan established by Public Act 88-0593.

A description of the actuarial assumptions utilized for fiscal year 1998 and fiscal year 1997 follows:

Dates of Adoption: The Projected Unit Credit Normal Cost Method was adopted June 30, 1987; all other assumptions were adopted June 30, 1997.

Mortality Rates: Active and retired members: The UP-1994 Mortality Table for Males, rated up 2 years.
Spouses: The UP-1994 Mortality Table for Females, rated up 1 year.

Termination Rates: Termination rates based on the recent experience of the System were used. The following is a sample of the termination rates that were used:

Age	Rate of Termination
20 - 65	.090
66 and over	.000

Disability Rates: Disability rates based on the recent experience of the System as well as on published disability rate tables were used. The following is a sample of the disability rates that were used for the valuation:

Age	Rate of Disability	Age	Rate of Disability
30	.00057	45	.00115
35	.00064	50	.00170
40	.00083	55 and over	.00000

Retirement Rates: Rates of retirement for each age from 55 to 80 based on the recent experience of the System were used. The following are samples of the rates of retirement that were used:

Age	Rate of Retirement
55	.18
60	.16
65	.17
70	.20
75	.20
80 and over	1.00

The above retirement rates are equivalent to an average retirement age of approximately 64.

Salary Increase: A salary increase assumption of 6.5% per year (consisting of a general increase component of 5% per year, 4.0% of which is attributable to inflation, and a seniority / merit component of 1.5% per year), compounded annually, was used. In determining total covered payroll, the size of the active group is assumed to remain constant.

Interest Rate: An interest rate assumption of 8.0% per year (consisting of an inflation component of 4.0% per year and a real rate of return component of 4.0% per year), compounded annually, was used.

Marital Status: It was assumed that 75% of active participants will be married at the time of retirement.

Spouse's Age: The age of the spouse was assumed to be 4 years younger than the age of the participant.

SUMMARY OF AND CHANGES TO THE PLAN PROVISIONS

Please refer to the Plan Summary and Legislative Section for a summary of the plan provisions and legislative amendments that were evaluated and considered by the actuary during the valuation process.

VALUATION RESULTS

Actuarial Liability (Reserves)	June 30, 1998	June 30, 1997
For Active Participants:		
Basic retirement annuity	$ 21,917,024	$ 19,423,789
Annual increase in retirement annuity	6,288,683	5,568,747
Pre-retirement survivors' annuity	1,997,799	1,788,415
Post-retirement survivors' annuity	3,190,708	2,776,286
Withdrawal benefits	7,087,779	7,058,162
Disability benefits	159,326	160,792
Total	$ 40,641,319	$ 36,776,191
For Participants Receiving Benefits:		
Retirement annuities	$ 69,828,389	$ 69,834,621
Survivor annuities	12,979,243	12,698,753
Total	$ 82,807,632	$ 82,533,374
For Inactive Participants	$ 26,959,497	$ 24,527,040
Total Actuarial Liability	$ 150,408,448	$ 143,836,605
Net Assets, Fair Value	62,737,590	56,709,651
Unfunded Actuarial Liability	$ 87,670,858	$ 87,126,954

SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active and inactive participant contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active and inactive participants. In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active and inactive participants (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time, although it is very rare for a system to have its liability 3 fully funded.

Computed Actuarial Values

	Aggregate Accrued Liabilities For				Percentage of Accrued Liabilities Covered By Net Real Assets		
Fiscal Year	(1) Active and Inactive Participant Contributions	(2) Retirement and Survivor Annuitants	(3) Active and Inactive Participants (Employer Financed Portion)	Net Assets Available for Benefits*	(1)	(2)	(3)
1989	$ 7,208,932	$ 34,062,464	$ 21,563,561	$ 31,677,506	100.0%	71.8%	0.0%
1990	8,237,231	41,411,576	28,974,830	33,442,677	100.0	60.9	0.0
1991	8,959,880	44,998,342	30,510,207	35,142,093	100.0	58.2	0.0
1992	10,098,012	48,987,293	29,452,024	37,618,218	100.0	56.2	0.0
1993	10,263,855	62,875,015	29,361,863	40,673,690	100.0	48.4	0.0
1994	10,734,454	65,587,970	34,397,534	40,910,567	100.0	46.0	0.0
1995	11,059,576	70,633,297	37,669,240	40,697,602	100.0	42.0	0.0
1996	11,732,410	73,422,443	42,210,060	51,404,258	100.0	54.0	0.0
1997	11,911,785	82,533,374	49,391,446	56,709,651	100.0	54.3	0.0
1998	12,911,744	82,807,632	54,689,072	62,737,590	100.0	60.2	0.0

*Net assets are reported at fair value for fiscal years after 1995. For all other fiscal years, Net assets are reported at cost (book value).

SUMMARY OF ACCRUED AND UNFUNDED ACCRUED LIABILITIES (Analysis of Funding)

In an inflationary economy, the value of the dollar decreases. This environment results in employees' pay and retirement benefits increasing in dollar amounts resulting in unfunded accrued liabilities which increase in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. The ratio of the unfunded accrued liabilities to active employee payroll provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to active participant payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Fiscal Year	Total Actuarial Liability	Net Assets*	Net Assets as a % of Actuarial Liability	Total Unfunded Actuarial Liability	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Annual Covered Payroll
1989	$ 62,834,957	$ 31,677,506	50.4%	$ 31,157,451	$ 6,907,676	451.1%
1990	78,623,637	33,442,677	42.5%	45,180,960	7,254,510	622.8%
1991	84,468,429	35,142,093	41.6%	49,326,336	8,238,709	598.7%
1992	88,537,329	37,618,218	42.5%	50,919,111	8,432,000	603.9%
1993	102,500,733	40,673,690	39.7%	61,827,043	8,651,000	714.7%
1994	110,719,958	40,910,567	36.9%	69,809,391	8,597,000	812.0%
1995	119,362,113	40,697,602	34.1%	78,664,511	8,774,000	896.6%
1996	127,364,913	51,404,258	40.4%	75,960,655	8,825,000	860.7%
1997	143,836,605	56,709,651	39.4%	87,126,954	9,362,000	930.6%
1998	150,408,448	62,737,590	41.7%	87,670,858	10,005,000	876.3%

* Net assets are reported at fair value for fiscal years after 1995. For all other fiscal years, net assets are reported at cost (book value).

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

	FY 98	FY 97
Unfunded actuarial liability at Beginning of FY	$ 87,126,954	$ 75,960,655
Employer contribution requirement of normal cost plus interest on the unfunded liability	$ 8,823,203	$ 8,316,943
Actual employer contribution for the year	3,113,000	2,787,074
Increase in unfunded liability due to employer contributions being less than normal cost plus interest on unfunded liability	$ 5,710,203	$ 5,529,869
(Decrease) in unfunded liability due to investment return greater than assumed	(5,394,158)	(5,057,646)
Increase in unfunded liability due to changes in actuarial assumptions	-	8,642,481
Increase in unfunded liability due to salary increases for inactive members	1,105,879	1,306,192
(Decrease) in unfunded liability due to salary increases lower than assumed	(1,338,977)	(7,735)
Increase in unfunded liability due to other sources	460,957	753,138
Total Actuarial (Gains)/Losses	$ (5,166,299)	$ 5,636,430
Net Increase in unfunded liability for the year	$ 543,904	$ 11,166,299
Unfunded actuarial liability at End of FY	$ 87,670,858	$ 87,126,954

SCHEDULE OF RETIRANTS AND SURVIVORS' ANNUITANTS ADDED TO AND REMOVED FROM ROLLS

Fiscal Year	Annuitants				Survivors*				Total
	Beginning	Additions	Deletions	Ending	Beginning	Additions	Deletions	Ending	
1989	198	6	5	199	126	4	4	126	325
1990	199	3	6	196	126	3	5	124	320
1991	196	13	9	200	124	4	3	125	325
1992	200	12	8	204	125	13	7	131	335
1993	204	33	7	230	131	6	6	131	361
1994	230	5	13	222	131	11	8	134	356
1995	222	11	14	219	134	14	6	142	361
1996	219	7	10	216	142	7	12	137	353
1997	216	14	7	223	137	6	11	132	355
1998	223	2	7	218	132	4	8	128	346

*Includes Reversionary annuities

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date June 30	Active Members			
	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1989	184	$ 6,907,676	$37,542	1.0%
1990	188	7,254,510	38,588	2.8%
1991	195	8,238,709	42,250	9.5%
1992	190	8,432,000	44,379	5.0%
1993	186	8,651,000	46,511	4.8%
1994	184	8,597,000	46,723	0.5%
1995	182	8,774,000	48,209	3.2%
1996	181	8,825,000	48,757	1.1%
1997	181	9,362,000	51,724	6.1%
1998	181	10,005,000	55,276	6.9%

STATISTICAL SECTION

- Asset Balances
- Liabilities and Reserve Balances
- Revenues by Source
- Expenses by Type
- Benefit Expenses by Type
- Number of Participants
- Termination Refunds
- Number of Recurring Benefit Payments
- Annuitants by Benefit Range (Monthly)
- Survivors by Benefit Range (Monthly)
- Number on Active Payrolls
- Retirement Annuitants Statistics and Average Monthly Benefits
- Active Retirees by State

ASSET BALANCES

Fiscal Year Ended June 30	Cash	Receivables	Investments*	Fixed Assets Net of Accumulated Depreciation	Total
1989	$ 348,265	$ 76,691	$ 31,290,392	$ 13,532	$ 31,728,880
1990	913,283	14,447	32,549,302	17,723	33,494,755
1991	728,538	15,235	34,440,112	19,082	35,202,967
1992	1,079,624	5,026	36,627,373	16,163	37,728,186
1993	2,159,819	485,485	38,094,187	17,184	40,756,675
1994	1,177,781	3,191	39,825,825	12,120	41,018,917
1995	1,693,213	8,941	39,081,113	9,384	40,792,651
1996	1,836,256	7,600	49,643,586	5,128	51,492,570
1997	2,113,679	9,625	54,674,448	9,028	56,806,780
1998	1,643,053	12,841	61,160,683	6,583	62,823,160

* Investments are reported at fair value after fiscal year 1995. For all other fiscal years investments are reported at cost (book value).

LIABILITIES AND RESERVE BALANCES

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Automatic Annuity Increase	Reserve for Future Operations*	Total
1989	$ 51,374	$ 6,748,268	$ 460,664	$ 24,468,574	$ 31,728,880
1990	52,078	8,237,231	-	25,205,446	33,494,755
1991	60,874	8,959,880	-	26,182,213	35,202,967
1992	109,968	10,098,012	-	27,520,206	37,728,186
1993	82,985	10,263,855	-	30,409,835	40,756,675
1994	108,350	10,734,454	-	30,176,113	41,018,917
1995	95,049	11,059,576	-	29,638,026	40,792,651
1996	88,312	11,732,410	-	39,671,848	51,492,570
1997	97,129	11,911,875	-	44,797,866	56,806,780
1998	85,570	12,911,744	-	49,825,846	62,823,160

* The Reserve for Future Operations reflects investments reported at fair value after fiscal year 1995. For all other fiscal years, the Reserve for Future Operations reflects investments reported at cost (book value).

REVENUES BY SOURCE

Fiscal Year Ended June 30	Participant Contributions	Employer Contributions			Net Investments Revenue*	Total
		State of Illinois	Other Sources	Total		
1989	$ 869,635	$ 1,997,500	$ -	$ 1,997,500	$ 2,555,317	$ 5,422,452
1990	1,002,258	2,072,600	74,401	2,147,001	2,665,883	5,815,142
1991	1,486,815	2,072,600	275,161	2,347,761	2,170,740	6,005,316
1992	1,375,885	1,965,600	105,410	2,071,010	3,976,419	7,423,314
1993	2,498,833	2,201,000	510,285	2,711,285	3,517,628	8,727,746
1994	1,011,354	2,116,800	-	2,116,800	3,476,303	6,604,457
1995	1,174,764	2,148,200	163,814	2,312,014	3,155,655	6,642,433
1996	1,141,155	2,400,000	-	2,400,000	7,454,578	10,995,733
1997	1,285,985	2,738,000	49,074	2,787,074	9,021,348	13,094,407
1998	1,224,533	3,113,000	-	3,113,000	9,780,815	14,118,348

* The Net Investments Revenue includes both realized and unrealized gains and losses on investments for fiscal years after 1995. For all other fiscal years, the Net Investments Revenue includes only realized gains and losses on investments.

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefits	Refunds of Contributions	Administrative Expenses	Total
1989	$ 3,682,411	$ 55,660	$ 113,261	$ 3,851,332
1990	3,880,692	42,427	126,852	4,049,971
1991	4,124,250	36,742	144,908	4,305,900
1992	4,658,134	129,978	159,077	4,947,189
1993	5,314,381	154,283	203,610	5,672,274
1994	6,131,496	41,590	194,494	6,367,580
1995	6,539,921	117,386	198,091	6,855,398
1996	6,991,373	90,464	202,880	7,284,717
1997	7,368,818	206,666	213,530	7,789,014
1998	7,779,442	83,392	227,575	8,090,409

BENEFIT EXPENSES BY TYPE

Fiscal Year Ended June 30	Retirement Annuities	Survivors' Annuities *	Total
1989	$ 3,046,455	$ 635,956	$ 3,682,411
1990	3,163,616	717,076	3,880,692
1991	3,302,545	821,705	4,124,250
1992	3,666,601	991,533	4,658,134
1993	4,241,273	1,073,108	5,314,381
1994	4,942,821	1,188,675	6,131,496
1995	5,203,413	1,336,508	6,539,921
1996	5,561,571	1,429,802	6,991,373
1997	5,912,782	1,456,036	7,368,818
1998	6,238,415	1,541,027	7,779,442

*Includes Reversionary annuities.

NUMBER OF PARTICIPANTS

At June 30	Active	Inactive	Total
1989	184	86	270
1990	188	81	269
1991	195	79	274
1992	190	77	267
1993	186	107	293
1994	184	101	285
1995	182	114	296
1996	181	108	289
1997	181	113	294
1998	181	113	294

TERMINATION REFUNDS

Fiscal Year Ended June 30	Number	Amount
1989	2	$ 15,475
1990	1	21,890
1991	3	13,980
1992	-	-
1993	6	31,032
1994	4	13,064
1995	6	117,347
1996	1	3,641
1997	4	38,717
1998	2	29,846

NUMBER OF RECURRING BENEFIT PAYMENTS

At June 30	Retirement Annuities	Survivors' Annuities	Reversionary Annuities	Total
1989	199	123	3	325
1990	196	121	3	320
1991	200	122	3	325
1992	204	128	3	335
1993	230	128	3	361
1994	222	131	3	356
1995	219	139	3	361
1996	216	134	3	353
1997	223	129	3	355
1998	218	125	3	346

Annuitants by Benefit Range (Monthly) at June 30, 1998

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	26	26	11.9	11.9
501-1000	28	54	12.8	24.7
1001-1500	21	75	9.6	34.3
1501-2000	23	98	10.6	44.9
2001-2500	23	121	10.6	55.5
2501-3000	26	147	11.9	67.4
3001-3500	16	163	7.3	74.7
3501-4000	19	182	8.7	83.4
4001-4500	15	197	6.9	90.3
4501-5000	7	204	3.2	93.5
5001-5500	4	208	1.8	95.3
5501-6000	1	209	0.5	95.8
6001-6500	3	212	1.4	97.2
6501-7000	2	214	0.9	98.1
7000-7500	3	217	1.4	99.5
7501-8000	1	218	0.5	100.0

Survivors* by Benefit Range (Monthly) at June 30, 1998

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	47	47	36.7	36.7
501-1000	22	69	17.2	53.9
1001-1500	32	101	25.0	78.9
1501-2000	14	115	10.9	89.8
2001-2500	10	125	7.8	97.6
2501-3000	3	128	2.4	100.0

*includes reversionary annuities

NUMBER ON ACTIVE PAYROLLS

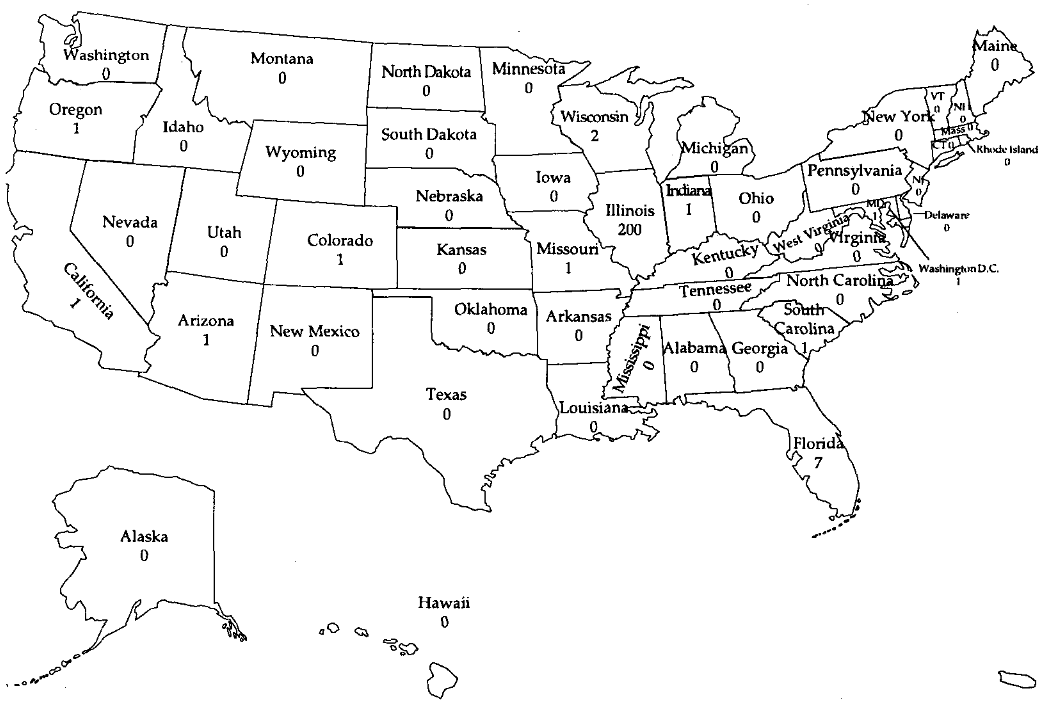
at June 30	Elected State Officers	House Members	Senate Members	Miscellaneous Active	Total
1989	6	115	59	4	184
1990	6	118	59	5	188
1991	6	118	59	12	195
1992	6	118	59	7	190
1993	6	118	59	3	186
1994	6	118	59	2	185
1995	6	118	59	-	183
1996	6	118	59	-	183
1997	6	118	59	-	183
1998	6	118	59	-	183

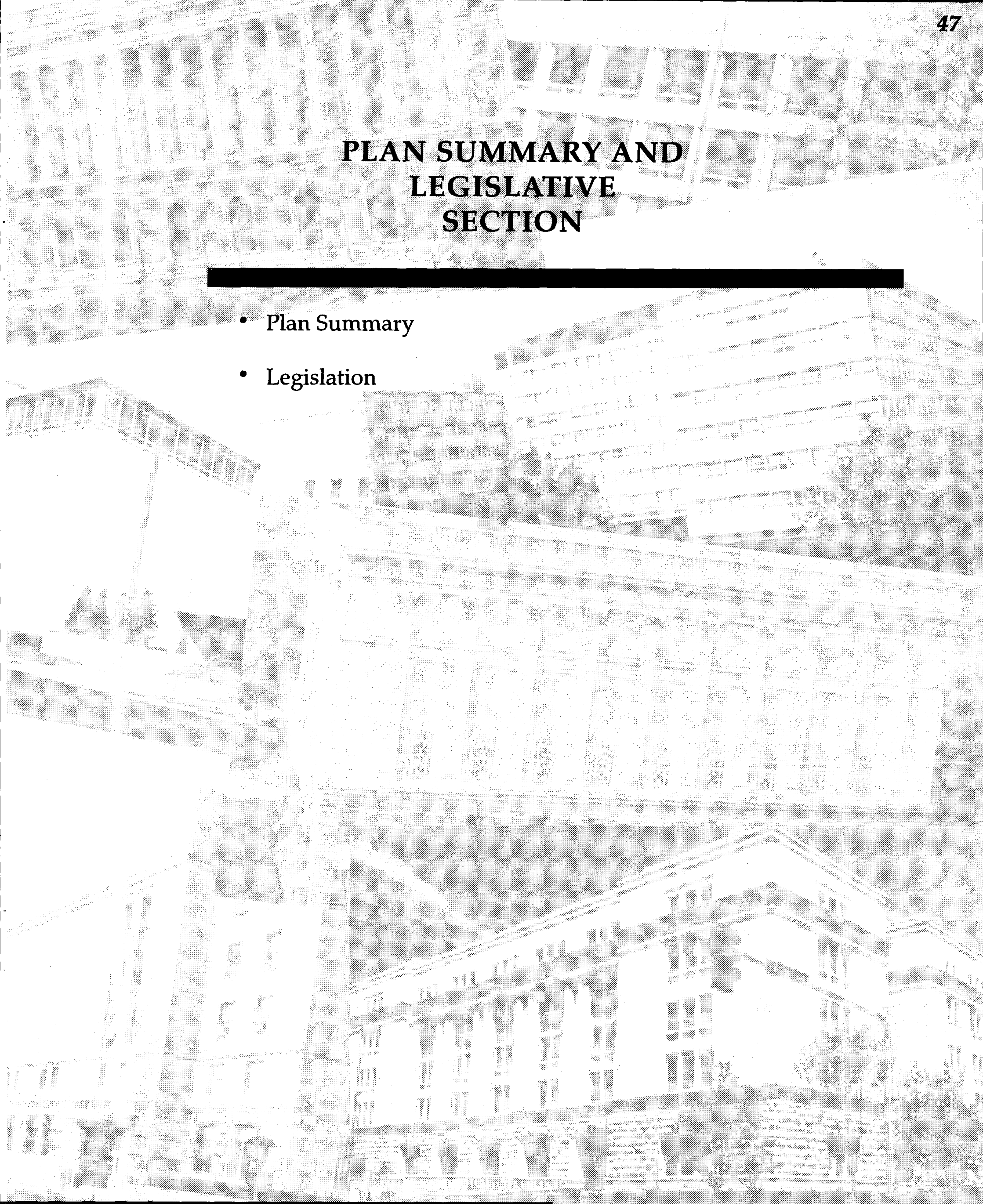
RETIREMENT ANNUITANTS STATISTICS AND AVERAGE MONTHLY BENEFITS

	At Retirement			
Fiscal Year Ended June 30	Average Age	Average Length of Service *	Average Current Age	Average Current Monthly Benefit
1989	60.3	13.9	69.9	$1,298
1990	60.1	13.5	70.3	1,359
1991	60.1	13.0	70.5	1,449
1992	60.0	12.7	70.5	1,526
1993	60.2	13.4	70.0	1,761
1994	59.9	13.2	70.2	1,880
1995	60.0	13.4	70.3	2,047
1996	59.8	13.4	70.5	2,175
1997	60.0	13.6	70.7	2,301
1998	59.8	13.7	71.4	2,399

* in years

ACTIVE RETIREES BY STATE





PLAN SUMMARY AND LEGISLATIVE SECTION

- Plan Summary
- Legislation

SUMMARY OF RETIREMENT SYSTEM PLAN

(As of June 30, 1998)

1. PURPOSE

The purpose of the System is to provide retirement annuities, survivors' annuities and other benefits for members of the General Assembly, certain elected state officials and their beneficiaries.

2. ADMINISTRATION

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. EMPLOYEE MEMBERSHIP

All members of the Illinois General Assembly and any person elected to the office of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller or Attorney General become members of the System unless they file an election not to participate within 24 months of taking office.

Any person who has served 10 or more years as Clerk or Assistant Clerk of the House of Representatives, Secretary or Assistant Secretary of the Senate or any combination thereof, may elect to become a participant.

4. PARTICIPANT CONTRIBUTIONS

Participants are required to contribute a percentage of salary as their share of meeting the cost of the various benefits at the rates shown below:

Retirement Annuity	8.5%
Automatic Annual Increase	1.0%
Survivors' Annuity	2.0%
Total	11.5%

5. RETIREMENT ANNUITY

A. Qualification of Participant
Upon termination of service, a participant is eligible for a retirement annuity at age 55 with at least 8 years of credit or at age 62 with at least 4 years of credit.

B. Amount of Annuity
Effective January 1, 1982, the retirement annuity is determined according to the following formula based on the applicable salary:

3.0% for each of the first 4 years of credit;
3.5% for each of the next 2 years of credit;
4.0% for each of the next 2 years of credit;
4.5% for each of the next 4 years of credit;
5.0% for each year of service in excess of 12 years.

The maximum annuity is 85% of final rate of salary after 20 years of credit.

C. Optional Forms of Payment
Reversionary Annuity - A participant may elect to receive a reduced annuity during his or her lifetime in order to provide a spouse, parent, child, brother or sister with a lifetime income. Such payment to a spouse would be in addition to the survivors' annuity benefit. The election should be filed with the System at least 2 years prior to retirement.

D. Annual Increases in Retirement Annuity
Post retirement increases of 3% of the current amount of annuity are granted to participants effective in January or July of the year next following the first anniversary of retirement and in January or July of each year thereafter. However, if the participant has not attained age 60 at that date, the payment of such annual increase shall be deferred until the first of the month following their 60th birthday. For participants who remain in service after attaining 20 years of creditable service, the 3% annual increases shall begin to accrue on the January 1 next following the date upon which the participant (1) attains age 55, or (2) attains 20 years of creditable service, whichever occurs later. In addition, the annual increases shall continue to accrue while the participant remains in service; however, such increases shall not become payable until (1) the January 1 or the July 1 next following the first anniversary of retirement, or (2) the first of the month following attainment of age 60, whichever occurs later.

E. Suspension of Retirement Annuity
An annuitant who reenters service becomes a participant and resumes contributions to the System as of the date of reentry and retirement annuity payments cease.

If the provisions of the Retirement Systems' Reciprocal Act are elected at retirement, any employment which would result in the suspension of benefits under any of the retirement systems being considered would also cause the annuity payable by the General Assembly Retirement System to be suspended.

6. SURVIVORS' ANNUITY

A. Qualification of Survivor
If death occurs while in service, the participant must have established at least two years of credit. If death occurs after termination of service and prior to receipt of retirement annuity, the participant must have established at least 4 years of credit. To be eligible for the survivors' annuity, the spouse and participant or annuitant must have been married for at least 1 year immediately preceding the date of death.

An eligible spouse qualifies at age 50 or at any age if there is in the care of the spouse unmarried children of the participant who are (1) under age 18 or (2) over age 18 if mentally or physically disabled or (3) under age 22 and a full-time student. Eligible surviving children would be entitled to benefits if no spouse survives.

B. Amount of Payment
If the participant's death occurs while in service, the surviving spouse without eligible children of the member would be eligible to 66-2/3% of earned retirement annuity, subject to a minimum of 10% of salary. A surviving spouse with eligible children of the participant would receive the greater of 66-2/3% of the earned retirement annuity or 30% of salary increased by 10% of salary for each minor child, subject to a maximum of 50% of salary to a family, unless the participant is survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

If the participant's death occurs after termination of service or retirement, the surviving spouse without eligible children of the participant would be eligible to 66-2/3% of earned retirement annuity. The maximum a surviving spouse with eligible children would receive is 75% of the earned retirement annuity unless the participant is survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

The minimum survivors' annuity for any qualified survivor shall be $300 per month.

C. Duration of Payment
When all children, except for disabled children, are ineligible because of death, marriage or attainment of age 18 or age 22 in the case of a full-time student, the spouse's benefit is suspended if the spouse is under age 50 until attainment of such age. A surviving spouse who remarries prior to attainment of age 55 would be disqualified for any future benefit payments.

D. Annual Increases in Survivors' Annuity
Increases of 3% of the current amount of annuity are granted to survivors in each January occurring on or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity. In the event of an active participant's death, increases of 3% of the current amount of annuity are granted to survivors effective in January of the year next following the first anniversary of the commencement of the annuity and in January of each year thereafter.

7. DEATH BENEFITS

The following lump sum death benefits are payable to the named beneficiaries or estate of the participant only if there are no eligible survivors' annuity beneficiaries surviving the deceased participant.

A. Before Retirement
If the participant's death occurs while in service, a refund of total contributions to the System, without interest, in the participant's account.

B. After Retirement
If the participant's death occurs after retirement, a refund of the excess of contributions to the System over annuity payments, if any.

The following lump sum death benefit is payable to the named beneficiaries or estate of the survivor.

A. Death of Survivor Annuitant
Upon death of the survivor annuitant with no further survivors' annuity payable, a refund of excess contributions to the System over total retirement and survivors' annuity payments, if any.

8. DISABILITY BENEFIT

A participant with at least 8 years of service who becomes permanently disabled while in service as a contributing participant is eligible for a retirement annuity regardless of age.

If disability is service-connected, the annuity is subject to reduction by amounts received by a participant under the Workers' Compensation Act and the Workers' Occupational Diseases Act.

9. REFUND OF CONTRIBUTIONS

Upon termination of service, a participant is entitled to a refund of total contributions to the System without interest. By accepting a refund, a participant forfeits all accrued rights and benefits in the System for his or herself and beneficiaries.

If unmarried at retirement, a participant is entitled to a full refund of contributions for the survivors' annuity benefit. The refund may be repaid, with required interest, to qualify a spouse for survivors' annuity benefits if the participant marries or remarries after retirement.

LEGISLATION

LEGISLATIVE AMENDMENTS

Legislative amendments with an effective date during fiscal year 1998 having an impact on the System were:

Senate Bill 665 (P.A. 90-0448; Effective August 16, 1997)

1. Amends the General Assembly Retirement System Article of the Illinois Pension Code to stipulate the proper recipient of a lump sum death benefit in situations where the member and his or her survivors have received less than the value of contributions made at the time of death. The change provides that the benefit is payable to the named beneficiary or estate of the surviving spouse or if there is no surviving spouse, to the named beneficiary or estate of the participant.

2. Amends the State Withholding Act and the General Assembly Retirement System Article of the Illinois Pension Code to provide a method whereby contributions made to purchase optional service credit or repay prior refunds may be made on a pre-tax basis through payroll deduction.

NEW LEGISLATION

Legislative amendments with an effective date subsequent to June 30, 1998, having an impact on the System were:

House Bill 3515 (P.A. 90-0766; Effective August 14, 1998)

1. Provides that, in addition to eligible children of a participant or annuitant, unmarried children of an eligible spouse also qualify for a survivor's annuity if they are (1) under age 18 or (2) over age 18 if mentally or physically disabled or (3) under age 22 and a full-time student.

2. Allows a participant who has no eligible survivor's annuity beneficiary to elect to cease making contributions for the survivor's annuity. However, a survivor's annuity shall not be payable upon the death of the participant who has made this election unless, prior to the participant's death, the election is revoked and the amount of contributions that would have been paid to the System in the absence of such election is paid to the System together with interest at the rate of 4% per year from the date the contributions would have been made to the date of payment.

3. Provides that any provision requiring the payment of optional contributions by a stated date (rather than the date of withdrawal or retirement), shall be deemed to have been satisfied if (1) on or before the stated date the participant executes a valid irrevocable election to have the contributions made on a pre-tax basis through payroll deduction and, (2) the contributions are in fact paid to the System as provided in the election.

House Bill 1612 (P.A. 90-0731; Effective July 1, 1999)

1. Amends the general provisions of the Illinois Pension Code to provide for a method to recognize the existence of an alternate payee's right to receive all or a portion of a member's accrued benefits in a retirement system through the issuance of a Qualified Illinois Domestic Relations Order (QILDRO) pursuant to Section 503(b)(2) of the Illinois Marriage and Dissolution of Marriage Act.